University Place Participation Agreement

Redevelopment Agency Meeting
April 14, 2015

Recommendation

1) **Accept and adopt the University Place Development Incentive Agreement Analysis, including the findings that the Agency receives fair value in the Participation Agreement and that the proposed use of tax increment financing in the Participation Agreement is necessary and appropriate to accomplish the Agency's goals and objectives related to economic development and job creation;**

2) **Authorize the Agency Chair to sign the University Place Participation Agreement on behalf of the Agency.**

Background

1) Final Project Area Plan adopted September 23, 2014

2) Primary Objectives included:

- **Provide public infrastructure and parking deck capacity needed to redevelop and revitalize University Mall**
- **Create jobs**

Participation Agreement

- **Implements the Project Area Plan**

- **Post-Performance-Based Agreement**

- **Developer is eligible to receive tax increment financing <u>ONLY</u> if performance goals are met.**

Tax Increment

Tax increment is the difference between the amount of property tax revenues generated by the Project Area post-redevelopment and the amount of property tax revenues generated by the Project Area prior to redevelopment.

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University Place Tax Increment Financing

Property Tax Revenues from New Development

- 25% to 35% Paid to the Taxing Entities
- 65% to 75% Paid to the Redevelopment Agency

Base Year 2013

Property Tax Revenues from Existing Development

- 100% to Taxing Entities
  - Alpine School District
  - City of Orem
  - Central Utah Water Conservancy District
  - Metropolitan Water District of Orem
  - Utah County

Project Infrastructure

- **Facilitates development of desired improvements, such as new Class A Office space buildings and additional retail**

Performance Based Reimbursement Agreement

- **Developer can be reimbursed for its actual costs for the following types of Project Infrastructure**
  - **Utility Infrastructure**
  - **The Orchard/Green Space**
  - **Connector Road**
  - **Parking Structures**
  - **Demolition (Mervyn's etc.)**

Reimbursement Limited By

1. **Cap**
   - **tied to completion of required development**

2. **Available Tax Increment**

Tax Increment Reimbursement Structure

Benchmark	Required Development	Additional Cap	Total Cap
Benchmark 1	• 55,000 SF New Retail • 120,000 SF Refurbished Retail • 100,000 SF Class A Office Space • 40,000 SF The Orchard/Green Space • 50,000 SF Renovated Interior Common Area • 90,000 SF Demolition Old Retail • Benchmark 1 Utility Infrastructure	$20,000,000	$20,000,000
Benchmark 2	200,000 Total SF Class A Office Space	$4,000,000	$24,000,000
Benchmark 3	300,000 Total SF Class A Office Space	$4,500,000	$28,500,000
Benchmark 4	400,000 Total SF Class A Office Space	$5,000,000	$33,500,000
Benchmark 5	500,000 Total SF Class A Office Space	$5,500,000	$39,000,000
Benchmark 6	600,000 Total SF Class A Office Space	$6,000,000	$45,000,000
Benchmark 7	700,000 Total SF Class A Office Space	$6,500,000	$51,500,000
Benchmark 8	• 700,000+ SF Total Class A Office Space • 300,000+ SF New Commercial • 110,000+ SF Total The Orchard/Green Space		No Cap

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New Retail

Credit: universityplaceorem.com

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Refurbished Retail

Credit: heraldextra.com

Class A Office Space

Credit: universityplaceorem.com

The Orchard / Green Space

Credit: universityplaceorem.com

The Orchard / Green Space

Children's Play Area Plan

CHILDRENS PLAY AREA PLAN

Credit: universityplaceorem.com

The Orchard / Green Space

Office Park Plan

OFFICE PARK PLAN

Credit: universityplaceorem.com

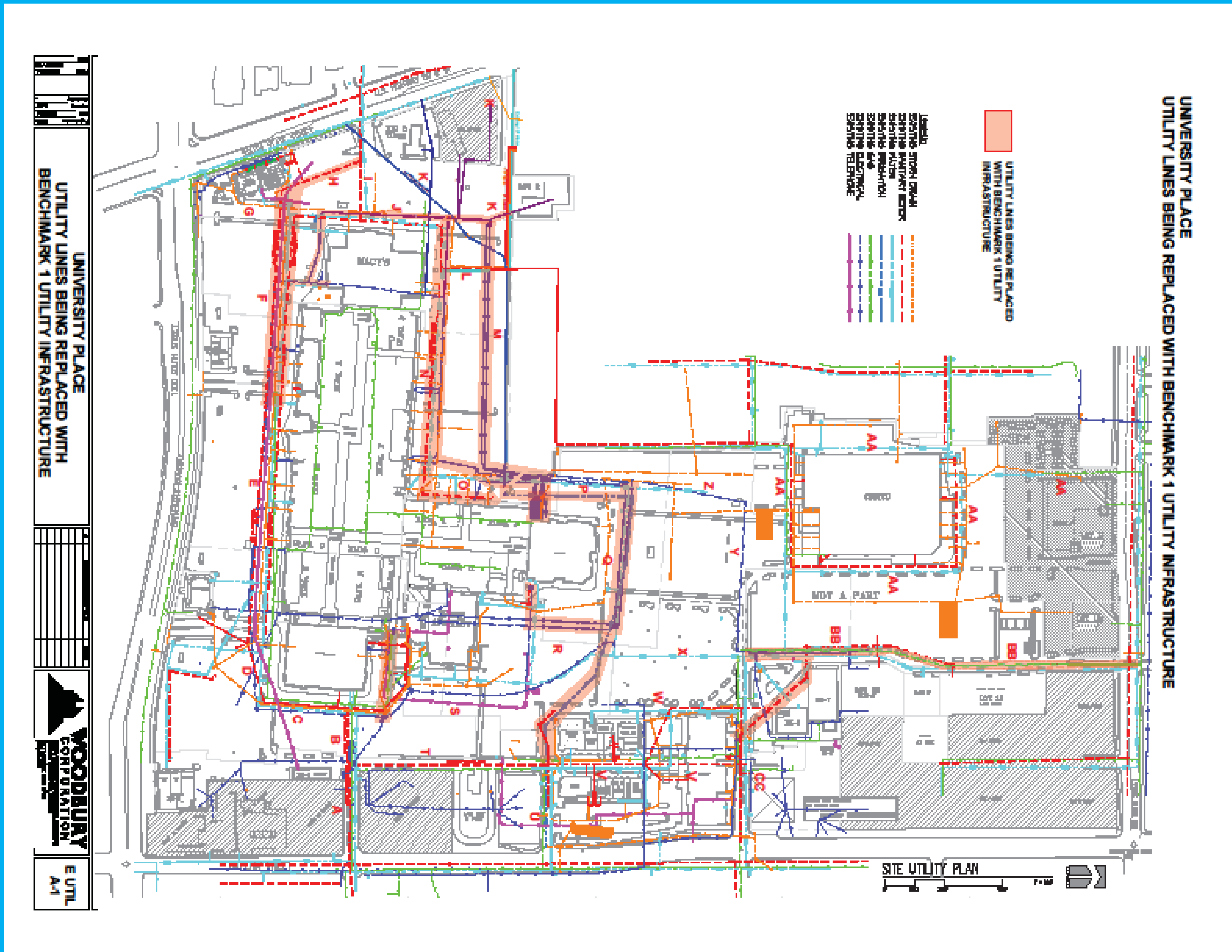
Renovated Interior Area

Credit: universityplaceorem.com

Demolition Old Retail

Credit: heraldextra.com

Utility Infrastructure



Available Tax Increment

- **Interlocal Agreements**
- **Actually received by the Agency**
- **90% of amount actually received**
- **Twenty-year term**

PARTICIPATION AGREEMENT ANALYSIS
UNIVERSITY PLACE CDA

OREM City of Orem

Anticipated Development

- $400+ million of private investment by the Woodbury Corporation, including:
  - 240,000 SF New Retail
  - 120,000 SF Refurbished Retail
  - 50,000 SF Renovated Interior Common Area
  - 72, 000 SF Hotel
  - 1,400,000 SF Residential
  - 700,000 SF Class A Office
  - 110,000 SF Orchard/Green Space
  - 6,000 Structured Parking Stalls

Anticipated Benefits

- If Woodbury builds as anticipated, the projected development benefits include:

Wages from New Job Creation	$2.121 billion
Property Tax Above Base	$84 million
New Sales Tax	$26 million
New Franchise Fees	$7 million
New Transient Room Taxes	$3 million
Connector Road and Traffic Signal	$3 million
Structured Parking	$39 million
Orchard/Green Space	$6 million
Utility Infrastructure	$4 million
TOTAL	**$2.293 billion**

Post Performance Incentive

- The Participation Agreement incentives are ***Post Performance***
  - If Woodbury doesn't create additional value, and doesn't pay more taxes than they did in 2014, there won't be tax increment generated to pay them under this Agreement.
  - Also, Woodbury will only be reimbursed for funds they have actually spent on qualified projects which include utility infrastructure, green space, connector road and traffic signal, parking structures, and necessary demolition projects. If Woodbury never completes these projects, they will not have expenses to be reimbursed.
  - Finally, the incentive cap increases as new Class A office space is built. If Woodbury doesn't build office space, they will not meet the required benchmarks and will not qualify for Available Increment.

Performance Scenarios

- Low Growth Scenario
  - If Woodbury only builds enough to satisfy Benchmark 1, there will not be enough tax increment generated to reach the initial $20m Cap.

Low Growth Example	New Taxable Value (Above the Base)	Anticipated Total Cap	Annual Incentive Available to Developer	Cumulative Incentive Available to Developer
Year 1	$70,000,000	$20,000,000	$510,000	$510,000
Year 2	$70,000,000	$20,000,000	$510,000	$1,020,000
Year 3	$70,000,000	$20,000,000	$510,000	$1,530,000
Year 4	$70,000,000	$20,000,000	$510,000	$2,040,000
Year 5	$70,000,000	$20,000,000	$510,000	$2,550,000
Year 6	$70,000,000	$20,000,000	$510,000	$3,060,000
Year 7	$70,000,000	$20,000,000	$510,000	$3,570,000
Year 8	$70,000,000	$20,000,000	$510,000	$4,080,000
Year 9	$70,000,000	$20,000,000	$510,000	$4,590,000
Years 10-20	$70,000,000	$20,000,000	$510,000 (Each Year)	$10,200,000
Total	$70,000,000	$20,000,000	$10,200,000	$10,200,000

Performance Scenarios

- Anticipated Proforma Scenario
  - If Woodbury builds according to their anticipated development proforma, they will generate and qualify for about $51 million.

Anticipated Proforma Example	New Taxable Value (Above the Base)	Anticipated Total Cap	Annual Incentive Available to Developer	Cumulative Incentive Available to Developer
Year 1	$100,000,000	$20,000,000	$750,000	$750,000
Year 2	$145,000,000	$28,500,000	$1,090,000	$1,840,000
Year 3	$190,000,000	$28,500,000	$1,440,000	$3,280,000
Year 4	$245,000,000	$33,500,000	$1,860,000	$4,140,000
Year 5	$290,000,000	$33,500,000	$2,170,000	$7,310,000
Year 6	$340,000,000	$39,000,000	$2,570,000	$9,880,000
Year 7	$340,000,000	$39,000,000	$2,570,000	$12,450,000
Year 8	$400,000,000	$51,500,000	$3,010,000	$15,460,000
Year 9	$400,000,000	$51,500,000	$3,010,000	$18,470,000
Years 10-20	$400,000,000	$51,500,000	$3,010,000 (Each Year)	$51,390,000
Total	$400,000,000	$51,500,000	$51,390,000	$51,390,000

Performance Scenarios

- High Growth Scenario
  - If Woodbury builds 300k SF of office above the profoma, the cap would be removed and they would generate $54 million of incentive.

High Growth Example	New Taxable Value (Above the Base)	Anticipated Total Cap	Annual Incentive Available to Developer	Cumulative Incentive Available to Developer
Year 1	$100,000,000	$20,000,000	$750,000	$750,000
Year 2	$145,000,000	$28,500,000	$1,090,000	$1,840,000
Year 3	$190,000,000	$28,500,000	$1,440,000	$3,280,000
Year 4	$245,000,000	$33,500,000	$1,860,000	$5,140,000
Year 5	$330,000,000	$45,000,000	$2,480,000	$7,620,000
Year 6	$400,000,000	$51,50 0,000	$3,030,000	$10,650,000
Year 7	$400,000,000	$51,50 0,000	$3,030,000	$13,680,000
Year 8	$460,000,000	No Cap	$3,480,000	$17,160,000
Year 9	$460,000,000	No Cap	$3,480,000	$20,640,000
Years 10-20	$460,000,000	No Cap	$3,480,000 (Each Year*)	$53,770,000
Total	$460,000,000	No Cap	$53,770,000	$53,770,000

Fair Value

- The expected development is anticipated to generate $2.29 billion of value. The participation agreement proposes to use $51 million to incentivize the development. The result is $2.24 billion of net value.

Total Value	$ 2,292,808,841
Total Expense	$ 51,356,913
Difference (Value minus Expense)	$ 2,241,451,928

Necessary and Appropriate

- With Incentive:
  - $400+ million investment
  - 700,000 SF Office
  - 3,000 office Jobs
  - The Orchard/Green Space

  - $2.29 billion value
  - $51 million incentive
  - $2.24 billion net value

- Without Incentive:
  - $120 million investment
  - 100,000 SF Office
  - 520 office jobs

  - $467 million value
  - $0 incentive
  - $467 million net value